CANADA-UNITED STATES FREE TRADE AGREEMENT

Alberta remains steadfast in its conviction and belief that all Canadians will benefit from a free trade agreement with the United States. Free trade will enable Canada to take advantage of opportunities to restructure its economy, making it more competitive in the world marketplace of the 1990s and beyond.

In the West, we know that Canada cannot be a strong nation if its regions are weak, with only its centre prospering. We see the free trade agreement as one of the surest routes to a fair and balanced economy with each region building upon and prospering from its strengths.

This document has been developed for Albertans and addresses their specific circumstances. The questions and answers are based on the elements contained in the draft agreement which was released in early October. The final text is yet to be completed.

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CANADA-U.S. FREE TRADE AGREEMENT
QUESTIONS AND ANSWERS

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CANADA-U.S. FREE TRADE AGREEMENT

QUESTIONS AND ANSWERS

I. GENERAL ECONOMIC IMPACT

1. QUESTION: How will the free trade agreement affect the Canadian economy? Will more jobs be created?

ANSWER: The Economic Council of Canada released a report in September which outlined its analysis of the potential impact--by 1995--of a Canada-U.S. Free Trade Agreement. The major results were:

- -- Extra expansion of the Canadian economy by 3.3 per cent
- -- Consumer Price Index (inflation) reduced by 5.7 per cent
- -- Productivity increased by 0.7 per cent
- -- Real wages increased by 3.0 per cent
- -- Investment increased by 6.9 per cent
- -- Deficits of all governments reduced by $5.2 billion
- -- Unemployment decreased by 1.3 per cent
- -- Overall employment increased by 2.6 per cent
- -- Canada would see a net increase of 350,000 jobs

2. QUESTION: What happens here in Alberta?

ANSWER: The Economic Council of Canada analysis shows that Alberta would have one of the greatest gains of all the provinces with extra expansion of the economy of 3.5 per cent and extra employment of 3.0 per cent. This will mean 40,000 new jobs for Albertans.

3. QUESTION: How will the free trade agreement affect the average Albertan, the consumer?

ANSWER: Under the free trade agreement, Albertans--Canadians--will enjoy higher real wages and lower inflation, resulting in more disposable income to purchase a greater variety of products at less cost.

The Economic Council of Canada has shown that real wages will be 3 per cent higher in 1995 as a result of the free trade agreement. This means that in 1995, the average Alberta wage-earner will have an additional $800 per year in purchasing power as a result of free trade. Albertans will be paying less for many of the goods and

services they consume. With higher real incomes and lower prices, Albertans will realize an increase in their standard of living.

Not only will individual Albertans benefit, but Alberta firms and businesses will also benefit from the lower input costs they pay for imported goods and services. This will increase their earnings, providing additional capital for expansion, and assisting them to become more competitive in both domestic and international markets.

In the past, Canadian consumers have been limited in their selection, and/or paid higher prices, both for imported goods and those Canadian products which have foreign-made components. This has occurred in the automobile, textile, clothing and footwear sectors, among others. Protectionism results in Albertans paying a hidden import sales tax, or higher prices because of lack of competition.

4. QUESTION: Who are the winners and losers in the agreement?

ANSWER: The Economic Council of Canada study reviewed the 36 major industry sectors of the Canadian economy.

Thirty (30) were found to be affected positively by free trade--included here are the important components of the Alberta economy--agriculture, mining (oil, gas, and coal), forest products, processed food, construction, services, and chemicals.

Six (6) Canadian industry sectors could potentially be affected negatively by free trade--textiles, knitting mills, rubber and plastics, leather, electric consumer products, and miscellaneous manufacturing. The study found that these traditional sectors face severe pressure from imports with or without free trade, and are currently in decline.

5. QUESTION: Which sectors in Alberta stand to benefit the most?

ANSWER: Petrochemical producers, oil and gas producers, livestock and meat producers, processed food producers, oil and gas field services companies, electrical product manufacturers, grain and oil seed producers, specialized equipment manufacturers, and the forestry sector will all benefit from removal of U.S. tariffs and elimination of threats of import duties, quotas, and other barriers.

6. QUESTION: How will free trade affect Alberta's efforts to diversify its economy?

ANSWER: The Canada/U.S. Free Trade Agreement will provide Albertans with greater opportunities to build and diversify based on our strengths. Diversification is, to a large extent, adding value and upgrading our natural resources and agricultural products. The free trade agreement will provide us with these opportunities.

Secure and enhanced access to the large U.S. market will make investment more attractive, resulting in the creation of new opportunities for manufacturing, high technology, and service companies (communications equipment, computer and data applications, etc.). All of these manufacturing and service companies will have a greater opportunity to expand and serve new markets in the United States.

Opening and securing access to the U.S. market also will assist diversification efforts in other sectors: the forestry industry--wood products, plywood, oriented strandboard, pulp; agricultural processing, which will benefit from reduced input costs; and tourism and business travel, which will benefit from easier trans-border access.

The Economic Council of Canada report recognizes that the indirect effects of the free trade agreement on real wages and inflation will translate into increased consumer spending which will provide more opportunities for small and medium-sized retailers, manufacturers, and service companies.

Alberta is a trading province, and has a world-wide reputation for quality products and workmanship, and for being on the leading edge of technological innovation. The free trade agreement will make it easier for Alberta firms and businesses to expand into new markets, to diversify their product lines, and to market their technologies and services abroad. By ensuring greater and more secure access to the U.S. market, the free trade agreement will contribute significantly to Alberta's diversification efforts.

7. QUESTION: What will the free trade agreement mean for investment in Alberta?

ANSWER: The environment will be created for substantial new investment. Alberta has encouraged, depended upon and benefited from foreign investment. Alberta opposed the Foreign Investment Review Agency (FIRA) and the National Energy Program (NEP) which were introduced by the former Liberal government. When central Canadian investors were not interested in nor willing to help us develop our resource industry, U.S. investors saw the opportunity, took on the challenge, and, with Albertans, reaped the benefits.

A more open investment climate in Canada, fewer federal government restrictions, increased access for U.S. investors, and a more deregulated energy industry will broaden investment prospects. Stable world energy prices and increased and secure access to the U.S. market will spur significant new investment in Alberta's energy sector, as well as in other sectors.

8. QUESTION: What does the free trade agreement mean for the value of the Canadian dollar compared to the U.S. dollar?

ANSWER: There is nothing in the agreement related to currency and exchange rates. The value of the Canadian and U.S. dollars will continue to be set by market conditions in the world, and will react to changes in fundamental economic indicators such as productivity and inflation rates.

9. QUESTION: Will there be help for people adversely affected by the free trade agreement?

ANSWER: Each year in Canada some 4 1/2 million Canadians change jobs, either within a firm or business or through layoff and rehiring by another employer. The free trade agreement will involve some adjustments over and above this amount, but these adjustments appear small by comparison.

The real challenge to both the federal and provincial governments is to facilitate these adjustments. This will involve the modification of existing programs, and the development of new programs to help those who have been displaced to find productive and challenging employment in those industries and sectors expanding as a result of the free trade agreement. Federal and provincial ministers responsible for worker adjustment programs are committed to ensuring that the training and re-training needs of Canadians are met, so they can capitalize on the new opportunities which will result from the free trade agreement.

II. ENERGY

10. QUESTION: Do we now have a continental energy policy? Are we losing control over our resources?

ANSWER: The free trade agreement opens up and secures the energy market, it does not create a continental energy policy. Policies, laws, regulations, control of resource development, conservation practices, management of resources--these are all the constitutional responsibility of Alberta, are set by Alberta, and they will continue to be set by Alberta.

The energy sector was relatively free of barriers well before the free trade agreement, with both Canada and the United States independently moving their energy policies into a more deregulated climate. The problem Canada faced was how to ensure that protectionist measures, which had started to appear, could not lessen our access in the future.

Canada, at Alberta's urging, has changed its own energy policy. We have deregulated, removed the constraints, opened up the market for our companies, secured access for them, and they now have the opportunity to expand. This is not a continental policy. This is our policy--what we advocated, sought, and achieved.

11. QUESTION: What did Alberta achieve for the energy sector out of the free trade agreement?

ANSWER: Plenty. Industry will have secure access to markets. The U.S. is prohibited from implementing energy import fees, surcharges, taxes and quotas in the future. Alberta's energy companies had fears about these possibilities--they are now prohibited and minimized. The U.S. is further committed to consultations and dispute settlement procedures on regulatory rulings.

12. QUESTION: Has Canada made a commitment to share our energy supplies?

ANSWER: Yes, a commitment to share energy supplies, including oil, is contained in the free trade agreement. Few people realize or seem to recall that Canada, along with a number of other industrialized countries, currently has obligations to share oil supplies--during emergency shortages--as part of the International Energy Agency (IEA). These obligations have been in effect since 1974.

Under the free trade agreement, Canada has re-affirmed these commitments and agreed to their application on a bilateral basis.

13. QUESTION: Does agreement to share our energy with the Americans in case of shortages mean that other parts of Canada will do without?

ANSWER: No, the agreement does not mean that some Canadians will be without energy while the U.S. has access to our supplies. Both Canadians and Americans will be affected by a shortage of energy supplies.

14. QUESTION: What about future oil and gas development?

ANSWER: It's important to keep in mind that with the creation of an open investment climate and a free energy market, and the elimination of the damaging constraints of federal policies like the Foreign Investment Review Agency (FIRA) and the National Energy Program (NEP), we will see a resurgence of investment in the oil and gas sector.

New activity in the energy industry will definitely help re-establish our service industries. This will mean more jobs...jobs for Albertans, and jobs for Canadians...because an expanding western energy industry translates into more jobs for steel workers and equipment manufacturers.

15. QUESTION: What will happen to oil and gas investment incentive programs?

ANSWER: The free trade agreement specifically recognizes the importance of existing or future exploration incentives in order to maintain and encourage development of the reserve base. Alberta will maintain its full authority over incentive programs and any changes in the future will be the result of provincial government policy decisions.

16. QUESTION: What about ownership of Canadian energy companies?

ANSWER: The ownership of the resources does not change. The resources still belong to the people of Alberta, and are managed on their behalf by the Government of Alberta. Alberta's management control remains. Companies, whether of Canadian, U.S., or other nationality, wishing to invest in Alberta and to have access to our resources, have to follow the same rules to ensure Alberta benefits from their presence. Alberta has the full range of legislative and regulatory measures in place to control the energy sector in Alberta and to ensure responsible, corporate behavior. Existing federal investment and acquisition policies remain in place--takeovers of healthy energy companies are not permitted.

III. AGRICULTURE

17. QUESTION: What happens to the agricultural sector under a free trade deal?

ANSWER: Agriculture in Alberta will benefit from the deal. It provides greater market access, increased market opportunities, and enhanced security of access.

The U.S. is Alberta's largest market for agriculture and food products and a key to the future development of that industry. Alberta's agriculture and food exports to the U.S. totalled $372 million in 1986, almost one-quarter of our total agricultural exports.

Canada has obtained duty-free and more secure access to that market for the agricultural and food products which are of major export interest (such as meat and livestock, grains and oilseeds, and potatoes). The existing marketing systems for dairy and poultry products and the right to implement new supply management programs and import controls under the General Agreement on Tariffs and Trade (GATT) are maintained.

18. QUESTION: How will the phase-out of tariffs affect the agriculture and food sector?

ANSWER: Tariffs will be phased out gradually over a period of up to 10 years to allow farmers and agri-business time to make any needed adjustments. The fresh fruits and vegetables sector, however, will have extended protection for up to 20 years through a mechanism tied to import prices and domestic acreage levels.

Canadian tariffs on imported agricultural products are generally very modest, averaging about six per cent. Certain sectors which have relatively low tariffs and are export-oriented will benefit from an accelerated removal of tariffs. Producers will benefit from the removal of certain high U.S. tariffs, such as those on potatoes, canola oil, and certain beef cuts.

Overall, the removal of tariffs will provide a strong incentive for expansion and diversification of value-added processing.

19. QUESTION: Will Alberta meat and livestock producers benefit from free trade?

ANSWER: Alberta meat and livestock producers will benefit by being exempted from the application of the U.S. Meat Import Law. The U.S. is by far the largest export market for Alberta beef producers and processors, and the agreement effectively prevents restriction of access. Exports of beef and live cattle to the U.S. reached $160 million in 1986, while exports of swine and pork products were approximately $90 million.

The agreement also provides greater clarity on technical regulations and their use. It prevents future use of technical regulations as disguised barriers to trade, unless justified on the basis of plant, animal, or human health and safety reasons. Both countries have agreed to harmonize regulations as much as possible.

20. QUESTION: How will free trade affect grain and oilseed producers?

ANSWER: Although the U.S. is a relatively small market for Canadian grain and oilseed exports, Alberta producers can expect increased market opportunities, specifically for canola oil, high quality oats, malting barley, feed barley, and wheat.

Canada also has obtained benefits for our producers in regard to subsidies. Direct export subsidies such as the U.S. Export Enhancement Program will be prohibited for bilateral agricultural trade. Both countries have agreed to take into account the export interests of the other when using export subsidies in third countries. Regular consultations will be held.

In addition, the requirement for import licences for wheat, oats, and barley, and their products, will be eliminated--but only when total levels of support in both countries for each commodity are determined to be equivalent. It is now apparent that import licences for barley and oats and their products will be eligible for removal soon after the agreement comes into effect. Removal of licences for wheat are further into the future.

Through the use of end-use certificates, the import of U.S. grain will not be allowed to negatively impact on Canada's high quality standards. Imports will be strictly confined to their original intended end-use.

21. QUESTION: The agreement requires changes to the Western Grain Transportation Act. What impact will these have?

ANSWER: Canada has agreed to exempt the U.S. as an eligible destination for the Western Grain Transportation Act (WGTA) payments on products moving through west coast ports. The removal of WGTA payments will marginally reduce the rate of return to Alberta processors in the short term, but the industry has indicated that in the longer term it will remain competitive as tariffs are phased out. It should be noted that prior to January 1, 1984, many of these products were shipped without benefit of the WGTA payments.

22. QUESTION: What is Canada's two-price grain policy and how is it affected by the agreement?

ANSWER: The Canadian two-price grain policy applies to wheat, barley and oats. The most publicly-discussed aspect is the Two-Price Wheat Program which affects only 5.7 per cent of the wheat produced in Alberta. Under this program, the Government of Canada sets a range in which the Canadian Wheat Board (CWB) is allowed to sell wheat to domestic processors. This policy allows for returns significantly above world prices for domestic sales and these are reflected in higher CWB pooled returns, or higher than normal market returns for wheat producers outside the CWB area.

For oats and barley, the two-price system is reflected in the "designated" CWB pools which result from sales of oats and barley for processing for domestic use and for special uses based on unique quality characteristics. These domestically used grains are known to be priced at levels higher than for export.

The removal of import licences and tariffs on processed foods from grains implies that the federal government will have to remove the two-price grain policy. The timing of this change would be directly related to the removal of the import licences and the schedule for tariff removal. The federal government has indicated that any benefits lost to grain farmers will be redirected to farmers through alternative mechanisms.

23. QUESTION: How will the supply-managed commodities and the boards which administer them be affected?

ANSWER: The operations of Canadian marketing boards will not be affected by the agreement.

Canada retains the right to add additional dairy and poultry products to the existing import control list.

Canada also has retained its flexibility in domestic policy-making. We are free to introduce new supply management programs supported by import controls in accordance with GATT rules.

24. QUESTION: What are the quantitative changes to the Canadian import quota levels for supply-managed industries and what are their implications for Alberta?

ANSWER: Import quota levels will increase as follows:

a) Dairy Products	- no change
b) Chicken	- 6.3 per cent to 7.5 per cent of Canadian domestic production
c) Turkey	- 2.0 per cent to 3.5 per cent of domestic production
d) Shell Eggs	- 0.675 per cent to 1.647 per cent of domestic production
e) Liquid Eggs/Yolks	- 0.415 per cent to 0.714 per cent of domestic production
f) Powdered Eggs	- 0.615 per cent to 0.627 per cent of domestic production

Under the agreement, the annual import quota for poultry products, consisting almost entirely of imports from the United States, will reflect the actual imports from the United States over the past five years. In effect, the increased import quotas merely formalize a situation that already exists.

Although tariffs will be gradually phased out for all supply-managed commodities, the effect on Alberta dairy, poultry and egg producers and processors will be minimal. If circumstances show that our domestic industries are being harmed by an influx of foreign product, Canada retains the right to add to its import control list those chicken, turkey, egg and dairy products not now on the list (consistent with our current GATT rights and obligations).

The supplementary import quota system will continue to operate on a need basis, and allow for additional imports as deemed necessary by the federal government and the industry.

25. QUESTION: How will the deal affect Alberta poultry producers?

ANSWER: Poultry import quotas will be set at a level reflecting the average level of shipments during the last five years; there will be little effect on Alberta.

26. QUESTION: How will the deal affect dairy producers?

ANSWER: There will, in fact, be no change in the import quotas of dairy products. Tariffs will be reduced on dairy products but since importation of these products is tightly controlled (many products are prohibited), the effect on dairy producers will be very minimal.

27. QUESTION: How will the agreement affect the horticulture industry, particularly fruit and vegetables?

ANSWER: The federal government recognizes the special sensitivities and requirements of the Canadian horticultural industry. The existing tariffs will be phased out over ten years. However, for a 20-year period from the date of implementation, both countries retain the right to apply a special duty to protect producers from surges of imports based on the following conditions:

a) import prices must fall below 90 per cent of a benchmark price based on the previous five-year moving monthly average minus the high and low years--in effect a three-year average; and
b) the domestic acreage must not exceed 100 per cent of a three-year average, calculated by using the previous five-year figures minus the high and the low years.

Furthermore, nothing in the agreement prevents Canada from continuing its restrictions on bulk container shipments and consignment selling, provided they remain consistent with our GATT obligations.

Removal of tariffs will help the major Alberta horticultural exports to the U.S. (eg. seed potatoes), and will contribute to increased exports of canned and processed vegetables, thus providing more markets for local producers.

The 20-year safety period will allow all affected producers in Alberta adequate time to adapt.

28. QUESTION: Does the agreement allow the use of non-tariff barriers to trade, such as technical regulations?

ANSWER: This agreement has established a framework which ensures that there will be minimal disruptions of our trade in agricultural and food products as a result of the misuse, at the federal, provincial or state level, of technical regulations as disguised trade barriers.

We will be working toward the harmonization of our technical regulations where practical.

As part of the agreement, the U.S. agrees to implement an open border policy for meat inspection. This means that only irregular spot checks for compliance with inspection requirements will occur with Canadian shipments to the U.S.

Minimizing technical barriers does not mean that we are reducing our standards. Nor are we jeopardizing our reputation as producers of high-quality products, and world leaders in disease control.

IV. VARIOUS ECONOMIC SECTORS

29. QUESTION: Does the free trade agreement alter our control of financial services?

ANSWER: There will be no significant impact. All existing Alberta regulatory measures will continue.

30. QUESTION: Will Alberta petrochemical producers gain from the agreement?

ANSWER: The agreement should be of significant benefit to Alberta petrochemical producers. Since the mid 1970s, nearly $5 billion has been invested in Alberta in the development of a modern world scale petrochemical industry. It has provided tens of thousands of jobs in the construction industry and permanent employment for approximately 6,000 more in the Red Deer, Edmonton, Redwater, and Medicine Hat areas. Petrochemical exports to the U.S. will total more than $600 million in 1987, despite some of the highest tariffs in the industrial sector, ranging up to 12.5 per cent for polyethelyne and 18 per cent for methanol.

The elimination of tariffs and the securing of access to the large U.S. market will increase exports, advance planned investment in petrochemical facilities, generate new investment, and improve company profitability. This will strengthen the Alberta economy, diversify its economic base further, and generate jobs in both the construction of petrochemical plants and the production of petrochemicals.

31. QUESTION: Does the forest industry benefit from free trade?

ANSWER: The free trade agreement should be particularly beneficial to the forest products industry--one of Alberta's key sectors of diversification. It will eliminate all tariffs (some ranging up to 20 per cent) and secure access to U.S. markets. The forest products industry employs approximately 10,000 Albertans and will export nearly $750 million worth of products to the U.S. in 1987.

Tariffs will be eliminated on plywood, oriented strandboard, and paper. Open access into the U.S. market for these products and others such as pulp will be secured. This will lead to expanded exports, new investment, and increased employment.

While the Canada-U.S. understanding on softwood lumber remains unaffected by the agreement, Canada will be pursuing separate discussions with the U.S. to eliminate the protectionist measures aimed at the Canadian softwood lumber industry.

32. QUESTION: How will the services industries be affected?

ANSWER: The free trade agreement should benefit the services sector in Alberta, which accounts for nearly 60 per cent of Gross Provincial Product or approximately $36 billion. Services exports to the U.S. are estimated to be $500 million in 1987. While service exports are a small percentage of the overall services sector, they represent a dynamic and growing portion of the economic activity in the industry.

While many of the industries in the service sector are not generally traded (eg. health and welfare services, education, religious organizations, etc.) and will not be affected, other service industries are traded and will benefit from expanded opportunities. These include tourism, enhanced telecommunications, computer services, oil and gas field services, and architecural consulting, among others. Even traditional service sectors which are not involved in international trading like wholesale and retail trade should benefit, as consumers purchase more goods as a result of higher incomes.

The trade agreement should result in more jobs and better paying jobs in the service sector. The Economic Council of Canada estimated that the Alberta services sector should grow by an extra two per cent as a result of free trade.

33. QUESTION: Will there be a negative effect especially on women in the work force in the services sector?

ANSWER: There is no reason to believe that women--or men for that matter--in the services sector will be negatively affected by the free trade agreement.

There are approximately 241,000 women working in the Alberta services sector. Generally, these services are not readily tradeable, and few could be directly performed in the U.S. rather than here in Alberta.

34. QUESTION: Will Canada's cultural industries be affected by the free trade agreement?

ANSWER: The Canada/U.S. Free Trade Agreement explicitly recognizes that Canada will retain the right to support its cultural industries (eg. publishing, film, recording, television and radio broadcasting). The U.S. has acknowledged Canada's legitimate concerns over foreign investment in cultural industries, and realizes that Canada will continue to provide support and financial assistance to these industries.

There is substantial historical evidence that economic trade agreements--like those between the countries of the European Community, or between Australia and New Zealand--have not eroded the cultural identity within those countries. Instead, markets for cultural industries have grown, as has mutual understanding. This is already occurring between Canada and the U.S.

35. QUESTION: What will be the effect on the brewing industry?

ANSWER: The free trade agreement does not require any changes of Canada's brewing industry, and, therefore, does not jeopardize brewery workers' jobs. The operation of the provincial liquor control boards, in relation to beer, will be unaffected by the agreement.

It should be noted that the broader issues of provincial liquor board practices are currently being addressed internationally in the General Agreement on Tariffs and Trade (GATT) and the review does include beer. Thus, while the free trade agreement did not address beer, Canada's broader international obligations may result in changes to provincial practices being required.

36. QUESTION: What will be the impact on Alberta's oil and gas field equipment industry?

ANSWER: Alberta's oil and gas field equipment industry has undergone remarkable technological changes in the past two decades. These changes have enabled the industry to capture increasingly tougher and more elusive opportunities.

Alberta has developed expertise in steam stimulation equipment for heavy oil recovery and in surface mining machinery for oil extraction from oil sands. Opportunities also exist for the development of enhanced recovery techniques for conventional oil and gas reserves, new seismic and drilling equipment, and new offshore exploration and development processes.

The more efficient Alberta companies already compete with U.S. firms. While some firms will have to adjust to competitive pressures arising from the free trade agreement, indications are that the industry as a whole will realize significant benefits as a result of free trade.

V. OTHER ASPECTS

37. QUESTION: Why didn't we negotiate this agreement during the multilateral trade negotiations in Geneva, through the General Agreement on Tariffs and Trade (GATT)?

ANSWER: The GATT negotiations are important for Alberta and Canada and we strongly support this worldwide approach to trade liberalization. These negotiations will be lengthy and complicated--involving all the members of GATT, more than 90 countries. The last round of GATT negotiations took six years to finish. The large number of countries involved means there are many different commercial systems to try to incorporate. Deals are harder to make and cannot be as comprehensive and effective. We will probably not see any liberalization from this current round of GATT talks before the mid-1990s, versus 1989 under the Canada-U.S. agreement.

Canada is pursuing its interests in the GATT talks too, but Canada and the United States have very similar business systems, a common language, similar commercial traditions, laws and business habits. As a result, we have been able to develop a deal more quickly, to go into effect more quickly, to cover a greater range of commercial activity, and to cover new areas such as services and investment, which other countries have not yet begun to address in terms of negotiations.

As we did in the 1930s, Canada and the U.S. can establish a precedent for the GATT negotiations and provide a model of what can be achieved if two parties want free trade. We can show the rest of the world the benefits of a more liberalized trading environment.

It is hoped that other countries will follow Canada's lead and that together we can make significant progress in the GATT negotiations. This will help everyone and expand the global economy, as well as provide more benefits for Canada.

38. QUESTION: Did we obtain an effective dispute settlement process with the U.S.? Can the U.S. still harass us with trade complaints?

ANSWER: After January 1, 1989, Canada will have an effective bi-national dispute settlement process that is clearly superior to the current system which permits unilateral U.S. action to harass Canadian exporters.

U.S. subsidy/countervail and anti-dumping complaints will now be subject to scrutiny and appeal to a bi-national, independent body. This body will have the authority to overturn decisions, if national laws have been improperly or unfairly applied. This will mean that

there can be no political or interest group pressure to influence the decisions. Additionally there will be strict time limits on the appeal process to ensure there are no lengthy delays. The U.S. will not be able to change its trade laws in the future in a way that would be contrary to the objectives of the agreement. Furthermore, the U.S. has even gone further by agreeing to negotiate completely new **joint** trade laws to go into effect within five to seven years.

39. QUESTION: How would the softwood lumber complaint have fared in the new system?

ANSWER: If the new dispute settlement process had been in effect during the softwood lumber dispute, there would have been a much better chance of obtaining a result favourable to Canada. There was a significant body of legal opinion that thought Canada's case was strong and that the arguments put forth by the U.S. were both weak and based on incorrect evidence. The panel under the proposed dispute-settlement procedure might have assessed a significantly smaller countervailing duty or ruled entirely in Canada's favour, resulting in secure access to the U.S. with no countervailing duty.

40. QUESTION: Isn't Canada's sovereignty reduced by the free trade agreement? Won't Alberta's constitutional responsibilities be diminished?

ANSWER: No, Canadian sovereignty is not compromised by free trade. Distinctively Canadian ways of doing things in areas such as medicare, income assistance programs, foreign policy, and support to cultural groups will continue as before. Canadian governments will still regulate the economy and control the development of natural resources. Because free trade will result in a stronger Canadian economy, we will be better able to provide the programs Canadians expect.

Canada's and Alberta's constitutional responsibilities and powers remain unchanged. The trade agreement does not alter the Canadian Constitution.

41. QUESTION: Is Canada's cultural identity threatened by the free trade agreement?

ANSWER: Canada's ability to preserve and develop its cultural identity is fully protected in this agreement. Albertans, like all Canadians, are confident and secure in their own identity. We do not consider ourselves American and will not become American just because we are doing more business with the United States. Our cultural heritage, our varied ethnic backgrounds, our ties to the land, our frontier attitude, our western spirit, our social attitudes, all will remain the basis of our identity.

42. QUESTION: How was Alberta involved in the trade negotiations?

ANSWER: Alberta was extensively involved in the development of Canada's position. The First Ministers' Conference on the Economy in Halifax in November 1985 saw agreement reached among the premiers and the Prime Minister on "full provincial participation" in the trade negotiations.

For the full 18 months of the negotiations, Premier Getty acted as chairman for the Annual Premiers' Conference on the trade issues. Premiers met with the Prime Minister eight times through the negotiations, and Premier Getty forcefully pursued Alberta's priorities of agriculture and energy.

These First Ministers' meetings were supplemented by meetings and position papers sent by the Alberta designated minister responsible for the trade negotiations, the Honourable James D. Horsman, minister of Alberta Federal and Intergovernmental Affairs; and the other members of the Alberta Task Force on Trade Negotiations, the Honourable Larry Shaben, minister of Economic Development and Trade; the Honourable Peter Elzinga, minister of Agriculture; and the Honourable Dick Johnston, Provincial Treasurer.

In addition, there were 17 meetings of the Federal-Provincial Continuing Committee on Trade Negotiations chaired by Ambassador Simon Reisman, the federal chief negotiator, and involving the trade representatives of each province. Numerous other subcommittees discussed technical details.